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SUBJECT Review of the Economic Situation

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1. The Coal Industry: The coal industry certainly did not reach 79 percent of the 1951 production target figure, though with inflation it may very well have reached the 1951 target as far as value of production is concerned.
2. The Electric Power Industry:
  - a. At a very optimistic calculation, Yugoslavia may, by 1951, be producing about 2,200,000,000 kilowatt hours. There is no hope of achieving 4,350,000,000 kilowatt hours. The claim that 66 percent of the new power stations will be functioning by 1951 is absurd.
  - b. Completion of the Jablanica power station has been postponed until 1955. The dam has not yet been constructed, though the subterranean turbine hall has been built and work is in progress on building the control room.
  - c. The Mavrovo power station is even further behind in construction than Jablanica, and will certainly not be ready in 1955.
  - d. Compared with the other power stations mentioned, Vlasina is furthest ahead. An earth dam has been built. The turbine hall is nearly ready. No equipment has been installed. Completion is scheduled for the second Five Year Plan.
  - e. Vinodol. Subterranean turbine hall and conduit pipes are ready. The dam for the reservoir located near Fusina is ready, though the other two dams are not. No equipment installed.
  - f. Kakanj thermo-electric power station. Buildings are under construction. It will perhaps be ready by 1952. No equipment installed.

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- g. Vuzenica (Drava). Foundations of the power station are nearing completion. Temporary dam completed to make possible building of first half of the permanent dam, work on which has begun.
    - h. Mariborski Otok (Drava). One generator operating (installed in 1948), circa 18,000 kilowatt hours; second generator mounted but not operating. Third under construction at Rade Koncar.
    - i. Valenje thermo-electric power station. Building almost ready. No generating equipment installed.
    - j. Veliki Kostolac thermo-electric power station. Building completed. One 10,500 kilowatt hour generator installed and operating. The other five have still to be installed.
    - k. Moste, near Zirovnica (Slovenia). Turbine buildings, et cetera, completed. Turbines under construction at Ljubljana; none installed.
    - l. Drina I, II, III. No work begun on Drina I and II. Work started on Drina III. No equipment available yet.
  3. The Iron and Steel Industry: The number of blast furnaces likely to be operating in 1951 is:  
  
Jesenice two, producing total of about one hundred and fifty tons per day.  
  
Sisak two, producing about one hundred and fifty to one hundred and eighty tons per day.  
  
Vares three, producing about fifty tons per day.  
  
Caprag one, small.  
  
Smederevaka Palanca one, small.  
  
A blast furnace of 600 tons capacity is being built at Zenica. Whether it will be ready by 1951 is very uncertain.
  4. The Non-Ferrous Metal Industry:
    - a. Aluminium. Production limited to all intents and purposes to Lozovac which, before the war, accounted for 1,776 tons per annum. Sarnisce is producing nothing because the electrolytic section is not equipped, and even if equipped could hardly begin serious operation before the new Drava and Belenje power stations are ready. The Mostar aluminium combine merely figures on paper; absolutely nothing has been built.
    - b. Zinc. Production is more or less still at pre-war level, perhaps a little higher; that is, 5,000 to 6,000 tons per annum. Plant is being installed at Trepca to extract zinc from lead ore.
    - c. Lead. Production has considerably increased, from 11,000 tons before the war to about 55,000 tons in 1950. Trepca is responsible for 95 percent of this increase, Mezica (Slovenia) for the other 5 percent.
    - d. Copper. Production at Bor is estimated at about 40,000 tons of crude copper, and 15,000 electrolytic copper per annum. A new electrolytic copper plant and rolling mill is under construction at Zajecar. Power will come from the Veliki Kostolac power station when it is ready, and Vlasenice.
  5. The Engineering Industry (Trucks and Tractors):
    - a. Trucks. In 1949, Maribor/Tezno produced about five hundred motor trucks equipped with TAM (Tov. Auto. Maribor) 70 horsepower engines (modified Praga RN) and Luka engines (modified version of Pionir produced at Rakovica). The Praga RN and Pionir are now considered obsolete. Carburetors, crankshafts, and electrical equipment are all of foreign origin, probably German.

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- b. Tractors. In 1949 six prototype tractors equipped with Rakovica engines were produced. In 1950, so far only the first ten mass-produced tractors have come off the line.

6. The Engineer Industry (Heavy Machinery):

- a. The Ivo Lola Ribar factory at Zeleznik, near Belgrade is now producing in series: hydraulic eccentric 100/250 ton presses; 20/50 ton pneumatic hammers; electric drills of diameter up to about 300 mm; metal cutters of about 20 tons capacity (the first was built in 1948 for use in cutting up scrap metal at Jesenice); wheels and axles for railroad cars (heavy castings at Gustanj in Slovenia, machining at Lola Ribar, assembly at Jasenica factory, Smederevska Palanka). Lola Ribar also produces on order such items as: blast furnace rings and fittings, turbine gears (e.g. for Maribor), heavy generator housings for Rade Koncar, machined generator, turbine shafts, et cetera. In short, Lola Ribar concentrates on machining heavy castings (it has the largest machine lathe in Yugoslavia) and producing heavy industrial tools.
- b. The Rade Koncar factory concentrates on producing all Yugoslavia's heavy electrical equipment.
- c. Litostroj concentrates on producing turbines and hydroelectric equipment (pressure valves, et cetera).
- d. Gustanj produces most of the heavy castings, using Jesenice steel.

7. The Chemical Industry:

- a. Production of sulphuric acid is limited to Celje and Lukavac in Bosnia and is more or less at pre-war level.
- b. Carbide is produced at the ex-Nobel works at Dugi Rat near Sibenik. Production is believed to be more or less at pre-war level.
- c. Nitrogen fertilizers are produced at Maribor Ruse, Electro-Bosnia, Jajce, and Sibenik. No great advance in production since 1939.

8. The Rubber Industry: Production nil. Plans were made for building synthetic rubber works at Jajce, but so far as is known nothing has so far been done.

9. The Cement Industry: Cement production has undoubtedly risen since the pre-war average of 600,000 tons per annum. Several new cement factories have been built, including four new ones near Split, specializing in cement for export. Yugoslavia also acquired the former Italian cement works at Anzola near Tolmino.

10. Local Industries: Plan lokalni industrije I, known as Lok I relates to republican industries producing standardized cheap consumer goods. Plan Lok II relates to small light industries (employing between 50 to 100 workers) producing consumer goods which must be sold at prices five to seven times higher than production cost, the balance of profit going to the budget of the local government organ (Mestni Odbor, Okruzni Odbor, et cetera). Thus, for example, the Zagreb Lok II shoe industry is planned to produce a sale profit of 200,000,000 dinars in 1950. This profit goes to swell the Zagreb city Odbor budget. With the reorganization of industry in the spring of 1950, expansion of Lok I and II industries has virtually ceased. In other words, the shortage of consumer goods will continue, both in an absolute as well as a relative sense. This is the price the Federal Planning Commission has decided to pay for pressing on with the development of the heavy industries.

11. The Private Property Sector: Import/export through private agencies has passed through two stages and is entering a third. From 1945 to 1947 private import/export was to all intents and purposes non-existent. From 1947 to 1949, a limited amount of private import/export was permitted, about ten agencies being allowed to operate under government supervision including Singer, Brown-Boveri, OM of Italy, Huth of Paris, et cetera. In 1950, the Yugoslav Government brought so much pressure to bear on some of these agencies, that the agents decided to hand over their agencies to Yugoslav State Import/Export firms.

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agency has been absorbed by Slovenije Auto Import; the Huth agency representing Renault has been absorbed by Jugauto; and the Huth agent, although still paid by Renault, has become sort of a middle man for Jugauto and is responsible for carrying through Renault deals on behalf of Jugauto. Singer has not been, as yet, absorbed by a Yugoslav State import firm, because the agent categorically refuses.

## 12. The Collectivization of Land:

- a. In the spring of 1950, with the reorganization of Yugoslav industry, the land collectivization program was almost simultaneously suspended. No new collective farms will be created. Existing collectives showing a credit balance will be consolidated; those showing a debit balance will be abandoned, (i.e. the members of the collective farms will no longer receive guaranteed rations. They can carry on if they like, but the State will not help them).
- b. Until the spring of 1950, the number of peasants joining the farms increased. Peasants joined partly because of government pressure (the result of Cominform criticism), partly because of the guaranteed rations, partly because they were disgusted with forced sales to the State and saw no future in private farming.
- c. There is also no reason to doubt the high percentage of forced sales of crops and meat to the State. So far as cereals are concerned, the private and kolkhoz peasants must sow a determined acreage (on pain of severe punishment in the case of the private peasant forfeiture of land) and harvest a determined quantity. There is little or no way of escape from this, and one can assume that Yugoslavia's cereal harvests represent the maximum production possible. Meat, however, is another question. Private peasants can always say they have not enough foodstuff for livestock, and because forced sales at low prices make private livestock farming unattractive, this is reduced to a minimum, hence the shortage of meat, especially pork and fats. Fresh vegetables and other perishable goods produced by private peasants are sold on the free market at exorbitant prices, and no amount of socialist pressure has succeeded in reversing this tendency so far. Hence, government attempts to "keep the capitalist tendencies of the independent peasant within limits" cannot be qualified as completely successful.

13. National Income and Investment Plan: Since 1945, the dinar has steadily depreciated in value. To combat this tendency, the Yugoslav Government in 1950 issued two national loans. In September 1950, the official rate of the dinar in Trieste was one dinar to ten lire, the unofficial rate of exchange 100 dinars to 80 lire.
14. Delegated Planning: With the reorganization of government and industry that began early this year, the tendency is towards delegating planning more and more to local organs.
15. Internal Problem of the Five Year Plan: From 1949 to 1950, the number of persons employed in industry is believed to have risen by 400,000, bringing the total to 1,500,000. These figures also include administrative workers.
16. Relations between Yugoslavia, the Western Capitalist States, and the Eastern Capitalist States: This thesis is still, in October 1950, believed quite sincerely by the Central Committee of the Yugoslav Communist Party, and constitutes one of the principal pillars of Party theory and propaganda. The deduction is clear: the Yugoslav Communist Party does not intend and cannot afford to abandon the Five Year Plan or allow it to come to a standstill.

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